

17 January 1973

Mr. Coffey:

At the noon meeting today I mentioned that, at the suggestion of Mr. Colby, the Inspector General is circulating to the Deputies a book called "Management by Results", which is a transcript of the Government/Industry Interchange Workshop on Management by Results held June 16 and 17, 1972, under the sponsorship of the President's Advisory Council on Management Improvement. The book contains transcripts of talks given by representatives of Texas Instruments, the Mead Corporation, Eastern Airlines, and the Grinding Wheel Division of the Norton Company. Each of the speakers described how management by objectives is used in the company represented.

Texas Instruments has six business objectives, fifty strategies, and about 250 tactics. The business objectives describe what is wanted to be achieved; the strategies determine how to get there; and the tactics are the checkpoints for short term action from six to twelve months. They call their system OST (objectives, strategies, tactics). They have an OST committee, a management committee, and an assets committee, all three of which are chaired by the same guy, the President. The committees meet regularly to reexamine objectives in terms of how resources are spent and change objectives to new ones. The committees meet at Corporate headquarters about four to five days a month. Much of the work is done face-to-face.

The Mead Company has been working on a management by objectives system since about 1964, but without many results until about 1967. They have 38,000 people in 110 plants widely dispersed throughout the world engaged in a great many diversified activities. They set objectives such as: "earn maximum return on investment"; "maintain position of leadership and share of market in cotton fiber industry", etc. These are long term. The next echelon is in terms of five years and they have "strategies, tactical action, and goals." In these categories they have such things as: "increase merchant tonnage in 1972 by 4%." Under that they have (a) market study - all sales districts, (b) thorough study of Los Angeles area, (c) develop new water mark sheet in attractive colors. They also have plans that cover people - what they can do, how good they are, etc.

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Eastern Airlines probably has one of the more sophisticated systems. They say categorically that you can't have an effective management by objectives system without a common data base and everybody in the system working from the same data. They have a daily profit and loss statement available for their morning meeting telling what happened the day before. They have general objectives which tie major functions together in a two year operating plan which identifies how they are going to use resources. They have operating plan assumptions which define the level of operation. They have a profit plan, a fund forecast, and a capital plan. They have a system for challenging goals relating to the quantitative and qualitative side. They have an operational goal to see that departures between 6:00 and 10:00 in the morning are within three minutes of the published schedule. The quantitative goal is 90%. They have a marketing goal that the percentage of passengers delayed over one hour should be no more than 2.25%. Percentage of passengers not receiving a meal must not exceed 5%. Ninety percent of the passengers are to receive their baggage within seven minutes of arrival is an operational goal. At their morning meeting all major stations are tied together on a conference line and they know each morning whether they achieved their revenue goals, how many passengers were delayed, how many had to be off-loaded, who had to take another carrier, etc.

The fourth speaker departed from the format followed by the others. He didn't describe the system of MBO in his organization. He talked about supervisory training, organization development, motivation, etc.



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DD/S 73-0613

15 FEB 1973

MEMORANDUM FOR: Director of Communications  
Director of Finance  
Director of Logistics  
Director of Medical Services  
Director of Personnel  
Director of Security  
Director of Training  
Chief, Support Services Staff

[Redacted]

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SUBJECT : Effect of Dollar Devaluation

REFERENCE : Multiple adse memo dtd 14 Feb 73 fr D/PPB,  
subj: "Devaluation of the Dollar"

A copy of referent memorandum on the effect of the devaluation of the dollar is forwarded for your information and action. You will note that these requirements are to be treated as unfunded needs in 1973 and 1974, and that they are to be included and identified in the program for FY 1975.

[Redacted]

Chief, DD/S Plans Staff

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Attachment

SUBJECT TO GENERAL DECLASSIFICATION SCHEDULE  
OF E.O. 11652, AUTOMATICALLY DOWNGRADED AT  
TWO YEAR INTERVAL AND RECLASSIFIED ON  
December 1979  
(Insert date or event)

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